

GIVING THROUGH CHARITABLE REMAINDER TRUSTS

# CHARITABLE GIVING

*A simple concept of balance.*

**AMERUS**  
*Life*

INDIANAPOLIS LIFE  
by AMERUS Group

# CHARITABLE GIVING THROUGH REMAINDER TRUSTS

Do you have highly appreciated assets in your portfolio, such as real estate or stock?

Would you like to increase your income and reduce current income taxes at the same time?

Does maximizing your estate for your heirs while leaving a substantial gift to your favorite charity sound appealing?

If so, you owe it to yourself to check out the benefits of a Charitable Remainder Trust, which can put those highly appreciated assets to work for you.

A Charitable Remainder Trust can:

- **CREATE A SOURCE OF LIFETIME INCOME TO SUPPLEMENT YOUR RETIREMENT.**
- **HELP YOU AVOID CAPITAL GAINS.**
- **REDUCE ESTATE TAXES.**
- **REDUCE CURRENT INCOME TAXES VIA A CHARITABLE DEDUCTION.**
- **HELP YOU MAKE A SIGNIFICANT FUTURE CHARITABLE GIFT.**
- **POTENTIALLY INCREASE ANY INHERITANCE YOU PLAN TO LEAVE TO YOUR HEIRS.**



# WHAT IS A CHARITABLE REMAINDER TRUST?

The best and most beautiful things in the world cannot be seen or even touched. They must be felt with the heart.

-Helen Keller

*The Tax Reform Act of 1969 created the **Charitable Remainder Trust**, an irrevocable tax-exempt trust available in annuity (level income) or unitrust (variable income) formats. Properly structured, this type of trust lets you maintain control of your asset(s), the amount and timing of income your beneficiaries receive, and which organization will benefit from your charitable gift.*

## HERE'S HOW IT WORKS...

As a donor, you transfer asset(s) to a trust that is created under the applicable laws of your particular state. You can choose to be the trustee, or you may choose someone else, even a corporate fiduciary, to serve as trustee.



Gives Assets

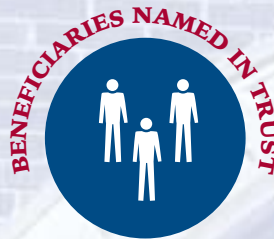
**CHARITABLE  
REMAINDER TRUST**

Charitable Remainder  
(Income Tax Free)



The trust generates income, which either you or your chosen beneficiaries will receive.\* This income can be received annually, semiannually, quarterly, or monthly. The choice is yours. You can also elect to receive this income for life or for a period of up to 20 years.\*

Income



At the end of the trust period, the property remaining in the trust (the charitable remainder) becomes the property of the charity(s) you designate.

*\*Charitable trusts established with income payable to beneficiaries other than you or your spouse may be subject to estate or gift taxes.*

## **CRT'S AND TAXES**

You will receive income tax deductions and/or estate tax deductions for the value of the charitable gift portion of the trust. The amount of your charitable deduction is based on factors such as the length of the time the trust is to pay income, the anticipated earnings inside the trust, the percentage of income chosen, and whether the payments are level or variable.

## **WHAT ARE SUITABLE ASSETS?**

The best assets for donation include highly appreciated assets. Why? Because the capital gains are entirely eliminated, since the Charitable Remainder Trust is a tax-exempt entity. As the trustee sells the trust's assets, the full value of the entire proceeds can then be reinvested.

## **CHARITABLE REMAINDER TRUSTS...**

are excellent tools to supplement your retirement income while, at the same time, they provide you peace of mind knowing that the trust assets will be devoted to your favorite charity.

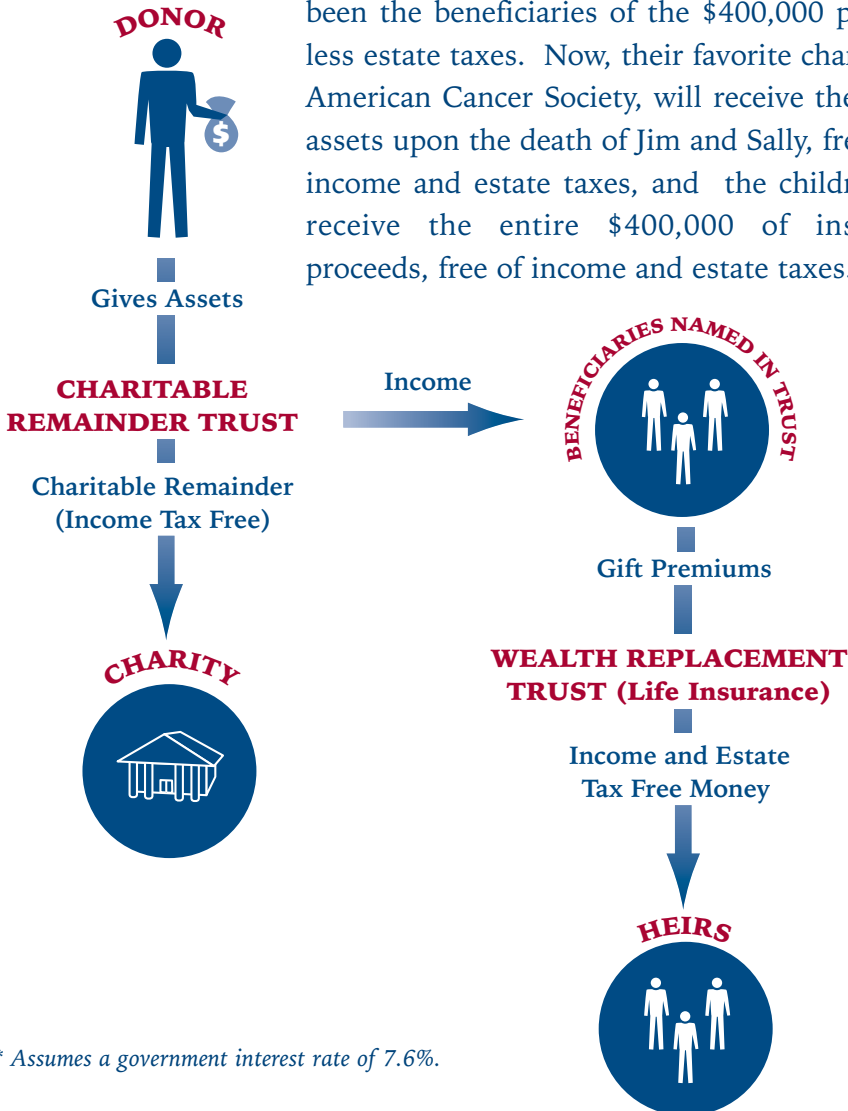
## **ENHANCE YOUR CRT WITH A WEALTH REPLACEMENT TRUST**

A Wealth Replacement Trust funded with insurance on your life or the lives of you and your spouse can replace the assets you've already placed into a Charitable Remainder Trust (CRT). The income tax deduction and/or newly created CRT income allows you to make annual exclusion gifts to your children or grandchildren through an irrevocable life insurance trust (wealth replacement trust) without decreasing your current cash flow. This technique provides funds to replace the assets used to create the CRT. Your heirs receive their inheritance free of both income and estate taxes, and your charity receives a substantial gift, which is also free of both income and estate taxes.

# WEALTH REPLACEMENT AT WORK

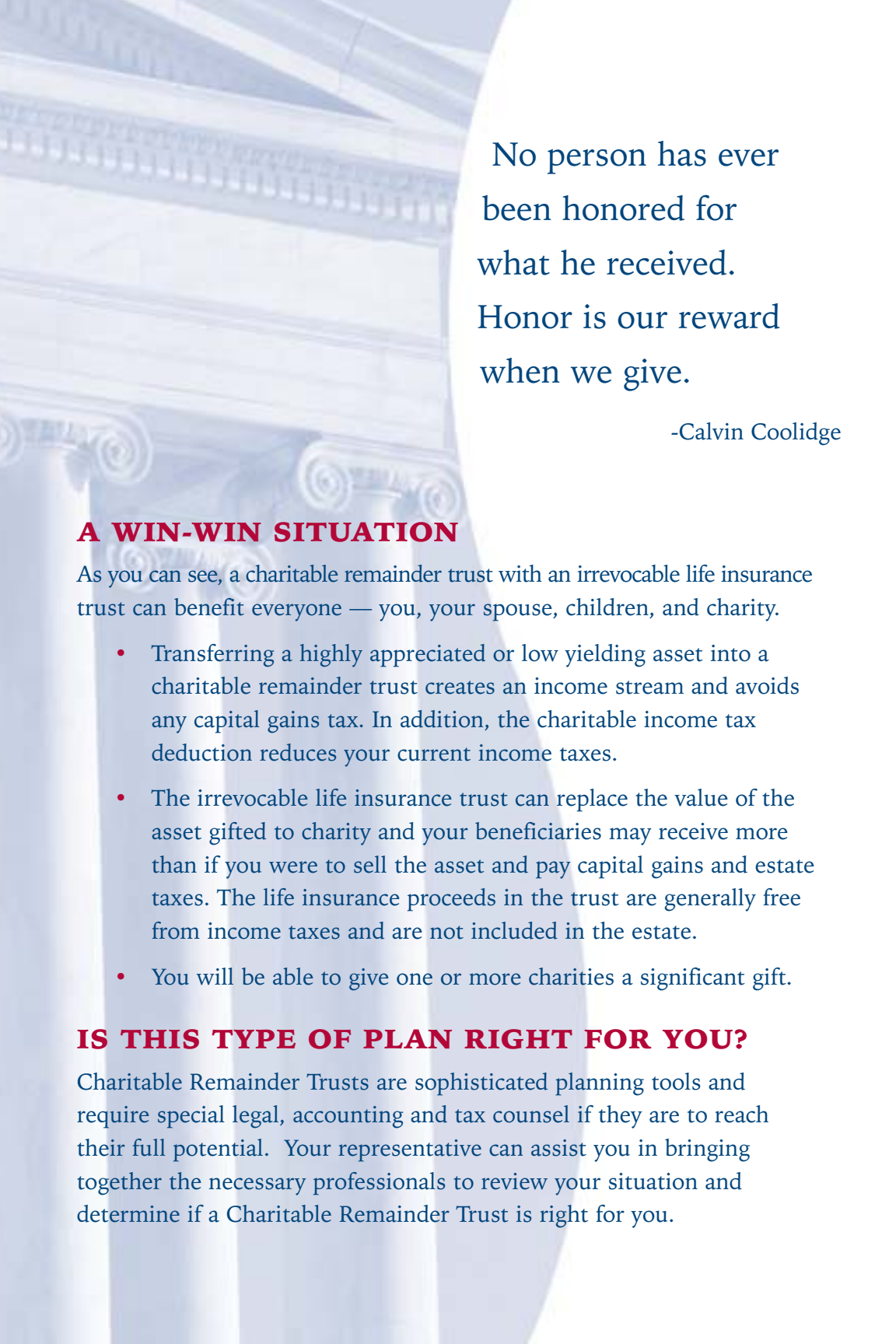
Jim and Sally Sloan, ages 65 and 63, fund a Charitable Remainder Annuity Trust (CRAT) with \$400,000 of highly appreciated stock they've owned for years. They set this up to supplement their retirement income. They choose to receive an income of 8% per year. The charitable deduction for the couple is \$68,694.\* They can use the extra income generated by the income tax deduction, as well as the CRAT income of \$32,000, to fund a \$400,000 second-to-die policy. This policy will be owned by an irrevocable insurance trust.

Without the CRAT, their children would have been the beneficiaries of the \$400,000 property less estate taxes. Now, their favorite charity, the American Cancer Society, will receive the CRAT assets upon the death of Jim and Sally, free of all income and estate taxes, and the children will receive the entire \$400,000 of insurance proceeds, free of income and estate taxes.



\* Assumes a government interest rate of 7.6%.





No person has ever  
been honored for  
what he received.  
Honor is our reward  
when we give.

-Calvin Coolidge

## **A WIN-WIN SITUATION**

As you can see, a charitable remainder trust with an irrevocable life insurance trust can benefit everyone — you, your spouse, children, and charity.

- Transferring a highly appreciated or low yielding asset into a charitable remainder trust creates an income stream and avoids any capital gains tax. In addition, the charitable income tax deduction reduces your current income taxes.
- The irrevocable life insurance trust can replace the value of the asset gifted to charity and your beneficiaries may receive more than if you were to sell the asset and pay capital gains and estate taxes. The life insurance proceeds in the trust are generally free from income taxes and are not included in the estate.
- You will be able to give one or more charities a significant gift.

## **IS THIS TYPE OF PLAN RIGHT FOR YOU?**

Charitable Remainder Trusts are sophisticated planning tools and require special legal, accounting and tax counsel if they are to reach their full potential. Your representative can assist you in bringing together the necessary professionals to review your situation and determine if a Charitable Remainder Trust is right for you.

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As of December 31, 2001, AmerUs Group's total assets were \$18.3 billion and shareholders' equity totaled \$1,236.2 million, including accumulated other comprehensive income.

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**611 FIFTH AVENUE  
DES MOINES, IOWA 50309  
1-800-800-9882**

**INDIANAPOLIS LIFE**  
an AMERUS company

**2960 N. MERIDIAN STREET  
INDIANAPOLIS, INDIANA 46208  
1-800-428-7031**

